

THE BALDWIN COMPANY

Cincinnati, Ohio
April 2, 1945

ANNUAL REPORT TO STOCKHOLDERS
EIGHTY-SECOND YEAR

To the Stockholders of The Baldwin Company:

Sales of pianos for the year 1944 amounted to \$1,616,812.51.

After deduction of depreciation charges amounting to \$40,906.58, and provision for Federal Income Taxes amounting to \$94,000.00, net profit from all sources for the year 1944 was \$157,090.54, compared with \$210,369.00 for the year 1943.

The volume of war-contract business during 1944 is not included in sales reported above. However, earnings from war-contract operations are included in total net profits reported.

During the past year we disposed of our Chicago Heights, Illinois, factories at a net profit, after depreciation and income tax, of \$33,236.23, which amount is included in current net earnings. In 1931 we discontinued our manufacturing operations at this plant and since that time portions of these buildings have been occupied by various tenants.

Consolidated Balance Sheets as of December 31, 1944 and 1943 and Analysis of Surplus Accounts for the year 1944 are appended hereto.

On December 31, 1944, Total Current Assets amounted to \$6,330,875.89 and Current Liabilities to \$1,126,453.96, which is a ratio of 5.6 to 1. Principal changes during the past year in Current Accounts are as follows: Cash increased \$80,928.44, United States Government obligations increased \$560,326.60, Reimbursable Expenditures on Government Contracts decreased \$693,805.48. The item "Vendors' Termination Claims" amounting to \$403,012.38, appears under both Accounts Receivable and Accounts Payable. This item represents unliquidated claims by suppliers of material to us under terminated Government contracts, which claims when finally determined and approved by the Government are reimbursable to us.

There was transferred from various accounts during the year the sum of \$49,472.48 to the Reserve for Contingencies. After making various charges against this Reserve, the balance on December 31, 1944 amounted to \$1,106,603.54, an increase of \$2,726.08.

In the year 1944, regular dividends were paid on the 6% Cumulative Preferred Stocks and dividends aggregating \$1.00 per share were paid on the Common Stock. Net decrease in Earned Surplus, after all charges and credits, amounted to \$30,918.28.

During the year we contracted to produce new metal assemblies for airplanes. Also, in December we were awarded a contract for the machining of artillery shells, which requires the use of heavy automatic machinery and heat-treating and quenching equipment. It was not practical to install this equipment in any of our existing buildings. In view of this war emergency, the City of Cincinnati has leased to us a portion of the park property directly south of our main building on Gilbert Avenue, for the erection of a temporary structure for the "duration." We have agreed to restore the property to the satisfaction of the city authorities at the termination of our lease.

We continue to seek new war contracts in order to employ our facilities completely until war conditions will permit us to resume production of pianos in volume.

Respectfully submitted,

LUCIEN WULSIN, President

THE BALDWIN COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEET
AS OF DECEMBER 31, 1944

ASSETS	December 31, 1944	December 31, 1943
Cash in Bank and on Hand.....	\$1,320,111.99	\$1,239,183.55
United States Government Obligations.....	1,920,240.00	1,359,913.40
Accounts Receivable:		
Reimbursable Expenditures on Government Contracts.....	1,500,436.47	2,194,241.95
Vendors' Termination Claims on Government Contracts (Contra).....	403,012.38	949,343.31
Customers' Accounts.....	\$ 372,195.83	\$ 384,644.06
Less: Dealers' Contingent Equities.....	1,252.14	25,731.77
	<u>\$ 370,943.69</u>	<u>\$ 358,912.29</u>
Less: Reserve for Possible Losses....	84,377.49	103,230.56
	<u>286,566.20</u>	<u>255,681.73</u>
Inventories:		
Finished Pianos and Accessories.....	\$ 447,675.58	\$ 463,197.90
Less: Inventory Reserve.....	71,011.34	71,011.34
	<u>376,664.24</u>	<u>392,186.56</u>
Piano Making and Fixed Price Raw Material and Work in Process.....	\$ 650,334.69	—0—
Less: Inventory Reserve.....	126,490.08	—0—
	<u>523,844.61</u>	<u>—0—</u>
Total Current Assets	<u>\$6,330,875.89</u>	<u>\$6,390,550.50</u>
Inventories:		
Piano Making Raw Material and Work in Process.....	—0—	\$ 565,185.31
Less: Inventory Reserve.....	—0—	126,490.08
	<u>—0—</u>	<u>\$ 438,695.23</u>
Plant and Equipment:		
Real Estate and Buildings.....	\$ 909,424.86	\$1,223,527.86
Machinery and Equipment.....	1,008,052.95	994,189.31
	<u>\$1,917,477.81</u>	<u>\$2,217,717.17</u>
Less: Reserve for Depreciation.....	1,134,984.38	1,426,251.28
	<u>782,493.43</u>	<u>791,465.89</u>
Other Assets	63,629.71	72,184.27
Deferred Charges to Future Operations	112,287.22	15,611.65
Total Assets	<u>\$7,289,286.25</u>	<u>\$7,708,507.54</u>

ANALYSIS OF CONSOLIDATED SURPLUS ACCOUNT

Balances, January 1, 1944	
Add:	
Net Profit for year ended December 31, 1944.....	\$ 157,090.50
Adjustment of depreciation reserve—prior years.....	1,529.30
Adjustment of prior years' Federal Income Tax	
Accrual.....	46,577.80
Deduct:	
Dividends Paid on Preferred Stock.....	\$ 102,336.00
Dividends Paid on Common Stock.....	133,780.00
Premium on Preferred Stock Purchased.....	130.00
Balances, December 31, 1944	

AUDITOR'S CERTIFICATE

To the Stockholders of The Baldwin Company:

We have examined the consolidated balance sheet of THE BALDWIN COMPANY and its subsidiary as of December 31, 1944, and the consolidated statements of income and surplus for the year then ended; have reviewed the accounting procedures and the system of internal control of the companies and, without making a detailed audit of the transactions, have examined or tested accounting records and other evidence in support of such financial statements. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all auditing procedures we considered necessary, which procedures

DIARY (The Baldwin Piano Company)
 CONSOLIDATED BALANCE SHEETS
 AS OF AND DECEMBER 31, 1943

LIABILITIES AND CAPITAL	December 31, 1944		December 31, 1943	
Accounts Payable				
Regular.....	\$ 550,174.99		\$ 293,790.23	
Vendors' Termination Claims.....	403,012.38	\$ 953,187.37	949,343.31	\$1,243,133.54
Accrued Expenses		56,709.06		59,333.39
Federal Excise Tax		22,557.53		10,107.84
Federal Income Taxes		94,000.00		222,147.63
Total Current Liabilities		\$1,126,453.96		\$1,534,722.40
Deferred Credits (Subject to Final Determination)		212,516.25		193,146.90
Reserve for Contingencies		1,106,603.54		1,103,877.46
Capital Stock and Surplus:				
Capital Stock:				
Preferred—				
6% Issue of 1901-1903				
Issued and Outstanding 2,327				
Shares	\$ 232,700.00		\$ 232,700.00	
Less: In Treasury.....	71,300.00	161,400.00	69,300.00	163,400.00
6% Issue of 1924, Series A,				
Issued and Outstanding 20,000				
Shares	\$2,000,000.00		\$2,000,000.00	
Less: In Treasury.....	457,800.00	1,542,200.00	457,800.00	1,542,200.00
Common—				
Issued and Outstanding				
133,786.6 Shares.....		1,070,292.80		1,070,292.80
Surplus:				
Capital	\$ 284,556.37		\$ 284,686.37	
Earned	1,785,263.33	2,069,819.70	1,816,181.61	2,100,867.98
Total Liabilities and Capital		<u>\$7,289,286.25</u>		<u>\$7,708,507.54</u>

ASSETS FOR YEAR ENDED DECEMBER 31, 1944

Total	Capital Surplus	Earned Surplus
\$2,100,867.98	\$ 284,686.37	\$1,816,181.61
		\$ 157,090.54
		1,529.38
205,197.72		46,577.80
\$2,306,065.70	\$ 284,686.37	205,197.72
		\$2,021,379.33
		\$ 102,336.00
		133,780.00
236,246.00	130.00	236,116.00
\$2,069,819.70	\$ 284,556.37	\$1,785,263.33

CERTIFICATE

were applied by tests to the extent we deemed appropriate in view of the system of internal control.

In our opinion, the accompanying consolidated balance sheet and related statement of consolidated surplus present fairly the position of THE BALDWIN COMPANY and its subsidiary at December 31, 1944, and the result of their consolidated operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

CINCINNATI, OHIO
 March 22, 1945

MURPHY, LANIER & QUINN,
 Public Accountants

OFFICERS:

Lucien Wulsin.....President and Treasurer
J. P. Thornton.....Vice-President
Philip Wyman.....Vice-President
A. J. Schoenberger.....Secretary
W. H. Smith.....Asst. Treasurer
R. F. Coghill.....Asst. Secretary
Irwin Stumborg.....Asst. Secretary

DIRECTORS:

Lucien Wulsin Cincinnati	Wm. J. Rielly Cincinnati
J. P. Thornton Cincinnati	Philip Wyman Cincinnati
Geo. W. Lawrence Cincinnati	

GENERAL OFFICES:

Gilbert Avenue, Cincinnati
Cable Address: "Baldwinco, Cincinnati"

PRINCIPAL SELLING OFFICES:

Cincinnati	Chicago	New York
St. Louis	Denver	Louisville
Pittsburgh	Kansas City	San Francisco

EXPORT OFFICES:

New York	Cincinnati	San Francisco
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SUBSIDIARY COMPANY
The Baldwin Piano Company